Jannock Corporation Limited

Annual Report 1975

Jannock Corporation Limited

The Annual and General Meeting of the holders of the Special and Class D shares of Jannock Corporation Limited will be held at 10:00 a.m., Monday, April 29, 1976 in Pier 2 and 3 of the Harbor Castle Hotel, Toronto, Ontario. Shareholders are encouraged to attend.

Les actionnaires qui aimeraient recevoir la version française du Rapport aux actionnaires et de le Situation de trésorerie contrôlée sont priés de s'adresser au Secrétaire de la Corporation à l'adresse suivante;
C.P. 43
Toronto Dominion Centre
Toronto, Ontario
M5K 1B7

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Jannock Corporation Limited

1975 at a Glance

	1975 $ Million	1974 $ Million
Sales	**226.9**	254.7
Earnings from operations	**17.1**	24.4
Provision for income taxes	**6.0**	9.2
Earnings before extraordinary items	**7.6**	10.9
Earnings per share before extraordinary items	**$1.13**	$1.80
Earnings per share after extraordinary items	**$1.09**	$1.56
Equity per Special and Class D share	**$5.83**	$5.19
Working capital	**32.8**	34.4

Left to right: G. C. Hitchman, W. J. R. Paton, G. E. Mara, D. G. Willmot, H. G. MacNeill, J. H. Hawke, W. M. Hatch

Report to the Shareholders

G. E. Mara

H. G. MacNeill

As you are well aware, there was a slow-down in our economy toward the end of 1974 which continued through most of 1975. This, combined with an alarming increase in the rate of inflation, created a difficult and uneasy climate for business in Canada.

In spite of this, Jannock's 1975 results, while lower than 1974 in total sales and earnings, reflect very substantial improvements in the operation of our continuing businesses.

The company ended the year with its continuing businesses having more than doubled their contribution to earnings, partially offsetting the loss of earnings from the lumber and pulp operations which were sold during 1974 at peak market levels.

This program of taking Jannock Corporation out of certain cyclical businesses was continued in 1975 with the sale of Ocean Maid Foods, our tuna business. In addition, negotiations are in process to sell Atlantic Fish, our groundfish business in Newfoundland. We anticipate that this program of rationalization will continue to impact favourably on profit in 1976.

In other moves during the year, the company acquired Diamond Clay Products Limited and merged it with Canada Brick. Substantial capital expansion of our brick operations is continuing both at Canada Brick's Ontario plant and at the Quebec plant of St. Lawrence Brick.

The brick operations nearly doubled their contribution to earnings in 1975 and should continue to be one of the important profit centres in the industrial side of our business.

The improvement in Atlantic Sugar was even more notable. Operating earnings increased significantly as raw sugar prices subsided to more normal levels. High world prices of raw sugar work to the detriment of your company and of the consumer. They not only increase working capital requirements and costs thereof, but also bring about higher expenditures in hedging and other market costs. A return to lower prices reduces these costs and increases the demand for sugar.

We are anticipating that the world sugar market will remain at approximately its current steady level permitting maintenance of lower consumer prices and enabling Atlantic Sugar to operate with the prospect of a reasonable profit.

The company's steel tube businesses also are positioned for continued growth. A new 5-inch cold rolling mill was completed at the Sonco operation late in the year, increasing capacity and improving efficiency. A new $1.5 million warehouse facility was approved in 1975 and is under construction for our Lyman Tube distribution business in Montreal. This warehouse will have the capacity to expand further our penetration into the Quebec and Maritime markets, and should become a significant earnings generator in the years ahead.

Allanson Manufacturing Company met its earnings objective for 1975 and the tempo of its business began increasing during the later months. Export orders for ignition transformers are already significantly increased for 1976 and there are other developments which should benefit Allanson in the near future.

In December, Atlantic Sugar along with two other major Canadian sugar refiners, was acquitted of charges under the Combines Investigation Act. The Crown has appealed this judgement to the Quebec Court of Appeal.

The full impact of the Anti-Inflation legislation introduced on October 14, 1975 is still being assessed as more becomes known about the interpretations of the regulations. Your company fully intends to comply with both the letter and the spirit of the legislation as part of the effort which all Canadians must make to help stop the serious inflation that we have been experiencing. However, we do intend to try to persuade the government that these controls will be harmful if kept in place for more than eighteen months.

On February 20, 1976, Mr. Gordon MacNeill joined the company as President and Chief Executive Officer. For some years Mr. MacNeill directed the affairs of another major Canadian company, and has established an outstanding record of accomplishment. A widely-respected senior member of the Canadian business community, Mr. MacNeill's experience ranges across the entire functional spectrum of manufacturing, marketing, distribution and sales. Under his aggressive leadership our company will doubtless achieve its goals of dynamic growth and continued prosperity.

As has been stated, the company has now completed much of the rationalization program it began two years ago. Because of this and prospects for 1976, we expect an improvement in earnings this year. Our plan for the future is to expand the existing divisions and to acquire a sizeable company, possibly outside our present range of activities.

Our financial base is now sufficiently strengthened for us to take the positive steps required to achieve the significant growth which is our goal. We believe we have a team of competent people in place and we are confident that they will respond enthusiastically to the leadership of our new President.

On behalf of the Board of Directors

George E. Mara
Chairman

February 26, 1976

Financial Review

Earnings

Earnings for the year before extraordinary items were $7,569,249 or $1.13 per share. In 1974 they were $10,920,840 or $1.80 per share. The 1974 figure, however, includes earnings of $7,154,775 attributable to businesses sold in that year. The earnings of continuing operations in 1975 were therefore improved substantially over the previous year's amount of $3,766,075.

Sales in 1975 were $226,943,088. In 1974, sales totalled $254,709,675 and included some $35 million from businesses sold in that year.

Extraordinary Items

Extraordinary items resulted in a net reduction of earnings of $227,000 or $.04 per share and include an unusual gain on the disposal of fixed assets, a gain on the disposal of marketable securities and a net loss on the disposal of the tuna operations. The above items are all net of applicable income taxes.

Acquisition

The Corporation acquired the assets and business of Diamond Clay in Burlington, Ontario, to further its position in the clay brick industry. The operation was acquired on June 1, 1975 and the results of its operations are included in the financial statements for the 7-month period.

Capital Expenditures and Depreciation

There were substantial capital expenditures in 1975 – in excess of $8,000,000. These expenditures included the acquisition of Diamond Clay, construction of a concrete brick plant at Streetsville, and the automation of the clay brick operations at Streetsville and La Prairie. While 1976 earnings will reflect the benefit of the expenditures of Diamond Clay and the concrete brick plant, the balance of expenditures will not show any return until 1977 due to the required time for completion and the sustaining nature of such expenditures.

Other expenditures included the completion of a new mill at Sonco and the start of construction of a new warehouse in Montreal for the Lyman Tube operation.

Capital expenditures approved in 1975, but not scheduled for completion until 1976, amount to an additional $3,000,000.

The depreciation charge for the year was $3,250,000 but this included $670,000 for the tuna operation which was sold.

Depreciation is claimed in the accounts on a straight-line basis based on the estimated useful life of the various classes of assets. By class of assets, the average rates of depreciation (calculated as depreciation claimed against the average cost of assets in use during the year) were as follows:

Buildings	2.54%
Plant equipment	5.19%
Movable equipment	8.98%
Ships	6.00%
Total	4.80%

It should be recognized that in the foregoing calculation certain assets will be fully depreciated but are included in the average cost as the assets are still in use.

As a result, these percentages are somewhat lower than the base rate calculated on the estimated useful life on some classes of assets. This is particularly true on the movable equipment where the average rate is only 8.98% whereas the base rate is generally 20% on this class of asset.

Depletion, which is claimed on the land, relates to the brick quarries and is based on the amount of raw material extracted.

Income Taxes

There was a minor reduction in overall tax rates for 1975 from the previous year. If the 1974 rate of 45.7% is adjusted for non-deductible losses, it would be 44.7% compared to 44.3% for 1975. There was a 1% reduction in the basic federal rate from 48% to 47% for those businesses not receiving the benefit of the manufacturing and processing credit.

Left to right: G. L. Ploder, P. S. Hayward, C. W. Leonardi

Interest Costs

The substantial reduction in bank loans together with the drop in prime bank rates from 11½% to the current 9¾% would imply that other interest costs would have been lower than in the previous year. The full benefit of both these factors, however, was not available throughout the current year as the average bank loans during 1975 still exceeded those for 1974. The reduced bank loan position at year end is not expected to move up substantially in 1976 so that interest should be reduced for current operations next year.

Balance Sheet

The working capital of the Corporation decreased by some $1,600,000 although the ratio increased from 1.54:1 to 1.86:1. Liquidity was maintained although long term debt decreased by $4,000,000. This reduction improved the debt equity ratio from 1.93:1 to 2.38:1.

The Balance Sheet of the Corporation was significantly affected by five major factors in 1975, specifically:

Purchase of Diamond Clay Products

Diamond Clay Products, a brick manufacturing operation located in Burlington, Ontario, was purchased on June 1, 1975 for $5,400,000 cash. The purchase price consisted of fixed assets valued at $3,800,000 and working capital of $1,600,000.

Sale of Tuna Operations

The net operating assets of the Tuna Division were sold as of December 31, 1975 for $6,600,000 cash and the purchaser's assumption of the long-term debt. While the sale affected most Balance Sheet items, the major impact was in the reduction of fixed assets of approximately $10,000,000 and deferred taxes of $4,500,000.

Elimination of Government Subsidies

Government subsidies totalling $12,300,000 which arose in 1967 and related to fishing vessels acquired at that time were eliminated from the accounts in 1975.

Details of the effect of this elimination of subsidies are outlined in Note 9 to the audited financial statements. Because this adjustment was considered under accounting principles as a prior period adjustment, the 1974 figures have been restated for this adjustment. Thus, the consolidated fixed assets and intangibles (deferred leasing costs) as shown in the 1974 annual report have been reduced by $11,300,000 and $1,000,000 respectively.

Lower Sugar Prices

At the end of 1974 our raw sugar cost was £470 Sterling per long ton whereas at December 31, 1975 the cost was £160 Sterling per ton. As a result, sugar inventories decreased some $20,000,000, with a similar decrease in bank borrowings by sugar operations.

Sonco Steel Tube – Final Payment

The contingent payment of $2,750,000 relative to the 1970 acquisition of Sonco Steel Tube Limited was made. This amount was contingent upon earnings achieved over a five-year period and increases goodwill applicable to Sonco operations. In addition, the $2,750,000 note due January 1, 1976 was also paid at year end.

Intangibles

While intangibles increased due to the Sonco contingency payment, the Corporation does not view this as a weakness on its Balance Sheet. The Sonco amount of $7,000,000 is justified by the substantial increase in earnings and the increased value of its fixed assets since the date of acquisition. In addition, while Canada Brick shows an excess cost of some $2,000,000, it has appraised land value of $5,000,000 in excess of book value.

Review of Quarterly Sales and Earnings

As can be seen from the quarterly earnings review given below, the first quarter was low due to the adverse sugar market, low housing starts in early 1975 which affected brick operations, and groundfish losses due to a strike. These factors are not expected to recur in 1976.

	Net Sales $ Millions		**Net Earnings** $ Millions		**Earnings per share**	
	1975	1974	**1975**	1974	**1975**	1974
First quarter	**52.4**	50.6	**.6**	1.9	**$0.02**	$0.29
Second quarter	**67.3**	61.3	**2.5**	2.0	**0.40**	0.30
Third quarter	**56.6**	74.5	**1.9**	4.9	**0.28**	0.88
Fourth quarter	**50.6**	68.3	**2.6**	2.1	**0.43**	0.33
	226.9	254.7	**7.6**	10.9	**$1.13**	$1.80

Corporate Directory

Directors

W. A. Andres

L. H. M. Ayre

E. C. Daniher

L. Y. Fortier

W. M. Hatch

J. H. Hawke

G. C. Hitchman

L. C. E. Lawrence

G. E. Mara,
Chairman of the Board

W. J. R. Paton

M. Tanenbaum

D. G. Willmot

Executive Committee: W. M. Hatch,
J. H. Hawke, G. C. Hitchman,
G. E. Mara, W. J. R. Paton,
D. G. Willmot, *Chairman*

Audit Committee: W. A. Andres,
J. H. Hawke, *Chairman,* G. C. Hitchman

Corporate Management

H. Gordon MacNeill,
President and
Chief Executive Officer

L. E. Labrosse,
Executive Vice President

C. W. (Leo) Leonardi,
Executive Vice President, Finance
and Treasurer

Douglas G. Sinclair,
Executive Vice President

R. Harold Weir,
Vice President and Secretary

George L. Ploder,
Controller

Peter S. Hayward,
Assistant Treasurer

Operating Management

E. Y. Carlson, President,
Canada Brick

R. A. Crolly, President,
Allanson Manufacturing Company

André Goyer, President,
St. Lawrence Brick

David J. Kennedy, President,
Lyman Tube

L. E. Labrosse, President,
Atlantic Sugar

C. G. Martin, Acting General
Manager, Atlantic Fish

Douglas G. Sinclair, President,
Sonco Steel Tube

Bankers

The Toronto-Dominion Bank

Auditors

Coopers & Lybrand

General Counsel

Fraser & Beatty,
Toronto

McCarthy & McCarthy,
Toronto

Transfer Agents & Registrars

Guaranty Trust Company of Canada
Toronto, Montreal, Winnipeg,
Calgary & Vancouver
6% Preference Shares
$1.20 Class A Shares

Canada Permanent Trust Company
Montreal, Toronto, Winnipeg,
Calgary & Vancouver
6% Class B Shares
Special Shares
Class D Shares

Stock Listing

The Toronto Stock Exchange
The Montreal Stock Exchange

Ticker Symbols

Special Shares	– Jn
Class D Shares	– Jn.D
Class A Shares	– Jn.A
Class B Shares	– Jn.Pr.B
6% Preference Shares	– Jn.Pr.C

Incorporation

Province of Ontario

Number of Shareholders

Preference Shares	5,974
Equity Shares	6,967

Jannock Corporation Limited
and its Subsidiary Companies

Consolidated Statement of Earnings

for the Year Ended December 31, 1975

	1975 $	1974 $
Sales	**226,943,088**	254,709,675
Cost of sales, selling, distribution and general expenses	**206,568,178**	226,987,954
Depreciation	**3,249,570**	3,360,231
	209,817,748	230,348,185
Earnings from Operations	**17,125,340**	24,361,490
Interest on long-term debt	**2,914,132**	3,218,441
Other interest	**2,377,916**	2,157,203
	5,292,048	5,375,644
Investment and other income	**1,746,341**	1,126,533
	3,545,707	4,249,111
Earnings Before Income Taxes	**13,579,633**	20,112,379
Provision for Income Taxes		
Current	**4,681,496**	8,775,024
Deferred	**1,328,888**	416,515
	6,010,384	9,191,539
Earnings Before Extraordinary Items	**7,569,249**	10,920,840
Extraordinary Items (note 11)	**(227,429)**	(1,189,274)
Net Earnings for the Year	**7,341,820**	9,731,566
Earnings before extraordinary items applicable to Special and Class D shareholders	**5,660,909**	8,999,752
Number of Special and Class D shares	**4,991,930**	4,991,930
Earnings per share (note 8)		
Before extraordinary items	**$1.13**	$1.80
After extraordinary items	**$1.09**	$1.56

See accompanying statement of accounting policies and notes to the financial statements.

Jannock Corporation Limited
and its Subsidiary Companies

Consolidated Balance Sheet
as at December 31, 1975

Assets

	1975 $	1974 $
Current Assets		
Cash and short-term deposits	**18,609,466**	20,562,103
Accounts receivable	**26,275,586**	25,559,426
Inventories (note 2)	**21,316,032**	47,174,530
Prepaid expenses and other assets	**4,409,252**	4,644,529
	70,610,336	97,940,588
Investments (note 3)	**2,426,301**	4,158,405
Fixed Assets – at cost (note 4)	**60,218,686**	66,751,676
Less: Accumulated depreciation and amortization	**24,198,871**	26,097,759
	36,019,815	40,653,917
Intangibles (note 5)	**12,480,829**	9,404,897
	121,537,281	152,157,807

See accompanying statement of accounting policies and notes to the financial statements.

Signed on behalf of the Board

J. H. Hawke, *Director*

G. E. Mara, *Director*

Liabilities

	1975 $	1974 $
Current Liabilities		
Bank advances (note 6)	**12,847,351**	41,026,161
Accounts payable and accrued liabilities	**14,494,477**	12,356,766
Income taxes payable	**4,519,607**	4,545,262
Current instalments of long-term debt (note 7)	**4,929,113**	4,598,902
Dividends payable	**1,062,078**	1,060,056
	37,852,626	63,587,147
Long-Term Debt (note 7)	**22,715,621**	26,541,586
Deferred Income Taxes	**6,818,700**	10,865,197
	67,386,947	100,993,930

Shareholders' Equity

	1975	1974
Share Capital		
Authorized (note 8)		
Issued and fully paid –		
72,775 6% preference shares, first series (74,800 shares in 1974)	**7,277,500**	7,480,000
425,400 $1.20 Class A shares (431,300 shares in 1974)	**1,867,506**	1,893,757
795,148 6% Class B shares	**15,902,960**	15,902,960
4,991,930 Special and Class D shares	**21,078,887**	21,078,887
Retained Earnings (note 9)	**8,023,481**	4,808,273
	54,150,334	51,163,877
	121,537,281	152,157,807

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Jannock Corporation Limited and its subsidiary companies as at December 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting principles as described in Note 9(b) to the financial statements, on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants

Toronto, Ontario
February 4, 1976

Jannock Corporation Limited

and its Subsidiary Companies

Consolidated Statement of Retained Earnings

for the Year Ended December 31, 1975

	1975 $	1974 $
Balance – Beginning of Year		
As previously reported	17,113,137	11,263,563
Adjustment relating to government subsidies (note 9)	12,304,864	12,304,864
As restated	4,808,273	(1,041,301)
Net earnings for the year	7,341,820	9,731,566
Refund of 15% tax on 1971 undistributed income	–	151,921
	12,150,093	8,842,186
Dividends		
Preference shares	442,012	448,950
Class A shares	512,150	517,960
Class B shares	954,178	954,178
Special and Class D shares	2,244,205	2,027,783
	4,152,545	3,948,871
Other capital transactions	(25,933)	85,042
	4,126,612	4,033,913
Balance – End of Year	8,023,481	4,808,273

See accompanying statement of accounting policies and notes to the financial statements.

Jannock Corporation Limited

and its Subsidiary Companies

Consolidated Statement of Changes in Financial Position

for the Year Ended December 31, 1975

	1975 $	1974 $
Source of Working Capital		
Net earnings for the year before extraordinary items	7,569,249	10,920,840
Items not affecting working capital –		
Depreciation and depletion	3,249,570	3,360,231
Deferred income taxes	1,328,888	416,515
Amortization of deferred costs	98,483	164,484
Provided from operations	12,246,190	14,862,070
Net proceeds on the sale of tuna division fixed assets	4,112,374	–
Proceeds on the disposal of other fixed assets	1,106,148	93,622
Reduction of investments	1,846,333	1,967,400
Increase in long-term debt	1,969,886	4,800,000
Refund of 15% tax on 1971 undistributed income	–	151,921
Proceeds on sale of forest products division	–	23,979,424
Working capital of forest products division sold	–	(5,499,465)
	21,280,931	40,354,972
Use of Working Capital		
Acquisition of investments	–	2,345,610
Additions to fixed assets	8,838,150	4,598,441
Increase in goodwill (note 5)	3,102,415	–
Reduction of long-term debt	5,795,851	4,764,924
Cost of redemption of share capital	202,818	62,348
Dividends	4,152,545	3,948,871
Provision for legal costs for defense of sugar combines case	–	469,682
Current income taxes applicable to extraordinary items	571,116	449,944
Other	213,767	283,365
	22,876,662	16,923,185
Increase (Decrease) in Working Capital	(1,595,731)	23,431,787
Working Capital – Beginning of Year	34,353,441	10,921,654
Working Capital – End of Year	32,757,710	34,353,441

See accompanying statement of accounting policies and notes to the financial statements.

Jannock Corporation Limited

and its Subsidiary Companies

Statement of Accounting Policies

for the Year Ended December 31, 1975

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries. Intercompany transactions and year end account balances have been eliminated on consolidation.

Inventories

Inventories, other than commodity inventories, are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Commodity inventories are stated at the lower of cost and replacement cost. Cost is determined on a first-in, first-out basis with the exception of refined sugar, which is determined on the average cost for the year.

Receivables

Receivables are shown net of allowances for doubtful accounts.

Fixed Assets

Fixed assets are carried at cost.

Depreciation of fixed assets, which is based on management's estimate of the useful life of the assets, is calculated on a straight-line basis.

Profits and losses on the sale of fixed assets are charged to operations unless of an extraordinary nature.

The difference in taxes arising from the depreciation recorded in the companies' statements and the amount claimed as capital cost allowance for tax purposes is treated as deferred income taxes.

Deferred Income Taxes

Deferred income taxes are included in the statements for all differences between the income and expenses reflected in the statements and the amounts included in the computation of income for tax purposes for the current year, provided that such differences will be included in the computation of income for tax purposes in future periods.

Deferred income taxes are set up at the tax rate of the year and are drawn down at the average rate of accumulation.

Intangibles

Excess of cost of investment in subsidiaries over book value of net assets acquired is recorded as an intangible asset. It has not been amortized as management believes it has a continuing value. However, any goodwill relating to acquisitions after March 31, 1974 will be amortized in accordance with generally accepted accounting principles.

Deferred financing and other similar costs are amortized over the period of the obligation in proportion to the amount of debt outstanding.

Translation of Foreign Currencies

Translation of accounts in foreign currencies has been made as follows:

(a) Current assets and current liabilities – at the rates of exchange at the balance sheet date;

(b) Fixed assets, and related depreciation – at the rate of exchange prevailing at the time of acquisition;

(c) All items, excluding depreciation, on the statement of earnings – at the average rate of exchange for the period calculated on a monthly basis.

Notes to Consolidated Financial Statements

for the Year Ended December 31, 1975

1. Significant Changes in Operations

The Corporation acquired the net operating assets of Diamond Clay Products, consisting of working capital of $1,592,497 and fixed assets of $3,800,000, for a cash consideration of $5,392,497 on June 2, 1975 and the results of this operation are included in the consolidated statement of earnings from the date of acquisition.

The Corporation sold the net operating assets of the Ocean Maid Foods (Tuna) Division of Atlantic Consolidated Foods Limited, a subsidiary company, as of December 31, 1975 and the sale closed January 20, 1976. These financial statements reflect the operating results to the date of sale, the cash proceeds from the sale of the net assets on December 31, 1975 and the loss on the sale which is included as an extraordinary item.

The 1974 comparative figures include Nortar and Pulp operations which were sold July 2, 1974 and December 12, 1974 respectively.

Profits and losses on sale of operations are included in the statement of earnings as extraordinary items (note 11).

2. Inventories

	1975 $	1974 $
Raw Materials	**7,312,398**	23,315,521
Work in process	**760,662**	1,101,752
Finished goods	**11,403,633**	20,888,775
Supplies	**1,839,339**	1,868,482
	21,316,032	47,174,530

3. Investments

Investments are valued at cost less provisions for decline in value.

	1975 $	1974 $
Securities (market value – $383,108; 1974 – $434,402)	**376,301**	449,319
Note receivable, with interest at prime bank rate plus 2½%, payable $700,000 semi-annually commencing January 1, 1976, less current portion	**700,000**	2,100,000
I.T.L. Industries Limited – 8% convertible debenture due 1988	**1,350,000**	1,350,000
Other investments	**–**	259,086
	2,426,301	4,158,405

4. Fixed Assets

Fixed assets and depreciation rates are as follows:

	1975			1974	
	Cost $	**Net $**	Depreciation rates %	Cost $	Net $
Land	**2,312,224**	**2,211,029**		1,633,229	1,549,245
Buildings	**13,165,367**	**7,992,822**	2½-5	16,235,424	10,707,939
Ships (note 9)	**5,811,895**	**2,804,172**	6	15,823,627	9,868,319
Plant equipment, furniture, fixtures and mobile equipment	**36,661,818**	**20,744,410**	5-20	31,687,457	17,156,475
Construction in progress	**2,267,382**	**2,267,382**	–	1,371,939	1,371,939
	60,218,686	**36,019,815**		66,751,676	40,653,917

Insured value on the basis of replacement cost as at December 31, 1975 is $97,800,000.

5. Intangibles

	1975 $	1974 $
Deferred financing costs	**143,932**	170,415
Excess of cost of investment in subsidiaries over book value of net assets acquired –		
Canada Brick	**1,969,407**	1,969,407
Sonco	**7,002,579**	3,900,164
Allanson	**2,973,238**	2,973,238
Other	**391,673**	391,673
	12,480,829	9,404,897

The final purchase price of a subsidiary, Sonco Steel Tube Limited, was contingent upon the earnings achieved over a five year period from the date of acquisition. The final purchase price was determined during the year, and the additional amount payable is included in the excess referred to above.

6. Bank Indebtedness

Bank advances are secured by inventories, a general assignment of book debts and certain investments.

All bank advances are owing to a bank which is a shareholder of the Corporation.

7. Long-Term Debt

	1975 $	1974 $
Jannock Corporation Limited		
Sinking fund debentures – unsecured		
6¾% Series 'A' maturing 1985	**1,461,100**	1,561,720
6½% Series 'B' maturing 1976	**1,195,500**	1,296,500
8½% note due January 1, 1976 – unsecured	**–**	2,750,000
Term bank loan at prime bank rate plus 1½% maturing 1980	**1,500,000**	–
Secured by a collateral second mortgage		
Other	**469,886**	–
Jannock Industries Limited		
6¾% Series 'A' sinking fund bonds maturing 1984	**3,025,000**	3,163,000
Secured by guarantee of Jannock Corporation Limited		
Atlantic Consolidated Foods Limited		
First mortgage bonds		
7¼% maturing semi-annually until 1987	**1,174,082**	1,233,846
8¼% maturing semi-annually until 1988	**1,381,170**	1,438,826
8¾% maturing semi-annually until 1988	**779,423**	808,799
Secured on trawlers		
6¼% Series 'A' sinking fund bond maturing 1982	**–**	870,423
Secured on tuna plant		
Term bank loan at prime bank rate plus 1½% maturing 1981	**13,750,000**	15,000,000
Secured on sugar refinery		
Canada Brick Company Limited		
6¾% first mortgage sinking fund bonds maturing 1986	**959,500**	988,000
Secured on total fixed assets		
St. Lawrence Brick Co. Limited		
9⅜% first mortgage Series 'A' sinking fund bonds maturing 1990	**1,299,000**	1,341,000
9¼% subordinated sinking fund debentures maturing 1990	**299,000**	318,500
Secured on total fixed assets		
Sonco Steel Tube Limited		
7¾% first mortgage maturing 1986	**351,073**	369,874
Secured on land and buildings		
	27,644,734	31,140,488
Less:		
Sinking fund and principal payments due within one year	**4,929,113**	4,598,902
	22,715,621	26,541,586

Payments of principal and interest required in the next five years to meet long-term debt instalments and sinking fund provisions are:

	Principal $	Interest $
1976	4,929,113	2,244,285
1977	3,861,200	1,862,402
1978	3,884,898	1,517,895
1979	3,675,966	1,171,309
1980	3,702,405	822,528

Term bank loans of $15,250,000 are owed to a bank which is a shareholder of the Corporation.

8. Share Capital

(a) Authorized

297,775 Preference shares with a par value of $100 each issuable in series, the first series consisting of 72,775 preference shares, after cancellation on redemption of 2,025 shares during the year, designated as 6% cumulative redeemable preference shares redeemable at $105 on 30 days notice. This series may be purchased for cancellation from a $100,000 annual purchase fund; no vote unless six quarterly dividends in arrears. In any subsequent series, the board of directors shall, by resolution, fix the designation, preferences, rights and conditions.

425,400 $1.20 Class A cumulative shares, without par value, after the cancellation on redemption of 5,900 shares during the year; not redeemable but may be purchased for cancellation from a $100,000 annual purchase fund; no vote unless eight quarterly dividends in arrears.

875,000 6% Class B shares with a par value of $20, redeemable after June 15, 1980 in whole or in part and may be converted into Special or Class D shares on the basis of share for share; no voting rights.

8,000,000 Special shares and Class D shares, without par value; voting; inter-convertible on a share for share basis:

(i) a cash dividend may be paid on the Special shares out of tax-paid undistributed surplus on hand or 1971 capital surplus, thereby resulting in a non-taxable dividend to holders;

(ii) when dividends are declared on Special shares, there shall be declared on Class D shares a dividend equal to the sum of the cash dividend per share on the Special shares plus an amount equal to the tax paid per share to create tax-paid undistributed surplus.

500,000 Common shares without par value.

(b) Reservations of Capital Stock

(i) Warrants

The following share purchase warrants are outstanding:

Number of warrants	Number and class of shares	Exercise price $	Expiry date
162,762	1 Special	16.00 per share	June 30, 1976
239,070	1 Special	12.00 per share	March 1, 1976
		14.00 per share	March 1, 1978
* 52,718	1 Special plus) 1½ 6%) Class B)	48.00 per unit	March 1, 1976
		56.00 per unit	March 1, 1978

*These warrants are exercisable only in units consisting of 1 Special and 1½ 6% Class B shares.

(ii) Options

185,000 Special shares have been reserved under stock option plans for officers and employees as follows:

Number of shares	Option date	Expiry date	Exercise price $
30,000	October 31, 1972	October 31, 1976	7.00
51,250	October 31, 1972	October 31, 1977	7.00
38,400	June 18, 1969	June 18, 1979	7.00
7,000	April 19, 1972	April 19, 1982	7.00
126,650			

With the exception of the option for 30,000 shares issued on October 31, 1972 the balance of the options are exercisable at a maximum annual rate of 20% per year on a cumulative basis.

(iii) Dilution

The exercise of warrants and options together with the potential conversion of the 6% Class B shares would result in dilution of earnings per share as follows:

	Before extraordinary items $	After extraordinary items $
Earnings per share	1.13	1.09
Exercise of options	(.01)	(.01)
Exercise of warrants	(.03)	(.03)
Conversion of 6% Class B shares	–	–
Fully diluted earnings per share	1.09	1.05

9. Retained Earnings

(a) The Corporation has $37,705,088 of tax-paid undistributed surplus and capital surplus as defined by the Income Tax Act which is available for payment of non-taxable dividends.

(b) Pursuant to a recommendation with respect to the accounting for government grants made during the year by the Accounting Research Committee of the Canadian Institute of Chartered Accountants, the Corporation has reduced the cost of ships and deferred leasing costs by $12,304,864, being the amount of the government subsidies which arose in 1967 relating to the fishing and processing operations and previously credited to contributed surplus. Although the new recommendation applies to grants received after September 1, 1975, the Corporation believes the new accounting for government grants to be preferable and has retroactively applied the recommendation with respect to these subsidies. If the foregoing change had not been made, the extraordinary loss on the sale of the tuna business would have been $6,130,647 higher, being the portion of the above-mentioned subsidies relating to the tuna business. The Corporation, in addition, restored to contributed surplus an amount equal to the aggregate of dividends previously charged to contributed surplus.

Full technical compliance with generally accepted accounting practice in respect of retroactive adjustments would require that depreciation charges relating to these ships for prior years be reduced by approximately $396,000 annually, consequent upon restatement of the cost of the ships. However, experience to date indicates that the estimated useful lives of these ships as established at the date of their acquisition in 1967 were in excess of that which now can reasonably be expected. Accordingly, it would be inappropriate to adjust depreciation charges in prior years to a lower basis since the earnings previously reported better reflect a reasonable rate of depreciation on restated cost and no adjustment to prior years' depreciation has been made. Depreciation charges in future years will be based upon the restated cost of the ships and the currently estimated remaining useful lives. This will not result in a material change in annual depreciation charges.

10. Income Taxes

Accumulated capital losses for tax purposes of approximately $1,800,000 are available to reduce future taxable capital gains. The potential tax benefit has not been set up in the Corporation's accounts.

11. Extraordinary Items

	1975 **$**	1974 $
Profit on disposal of fixed assets (net of income taxes of $52,897)	**673,125**	–
Profit (loss) on disposal of marketable securities and other investments	**114,229**	(1,031,242)
Provisions for decline in value of investments	**–**	(1,300,000)
Profit (loss) on sale and discontinuance of operations including write-off of applicable goodwill (net of current and deferred income taxes of $4,504,752)	**(1,014,783)**	1,374,612
Provision for legal costs for defense of sugar combines case	**–**	(232,644)
	(227,429)	(1,189,274)

12. Lease Commitments

Lease commitments are as follows:

	Groundfish trawlers $	**Groundfish plant $**	**Other assets $**	**Total $**
1976	556,218	826,512	603,485	1,986,215
1977	556,218	826,512	544,660	1,927,390
1978	556,218	826,512	408,574	1,791,304
1979	556,218	826,512	252,625	1,635,355
1980	556,218	826,512	188,869	1,571,599
1981 – 1985	2,781,090	4,132,560	725,945	7,639,595
1986 – 1990	2,781,090	4,132,560	716,425	7,630,075
1991 – 1995	383,795	1,653,024	404,131	2,440,950
	8,727,065	14,050,704	3,844,714	26,622,483

13. Legal Matters

(a) Sugar Combines Case

On December 19, 1975, a Judgement was given by Mr. Justice Mackay of the Superior Court, Criminal Division, District of Montreal, acquitting Atlantic Sugar Refineries Co. Limited, the predecessor corporation of Jannock Corporation Limited, and two other major sugar refiners in eastern Canada from the charge of committing indictable offenses contrary to Section 32(1) (b) and (c) of the Combines Investigation Act.

The Attorney General of Canada has appealed the Judgement of acquittal to the Court of Appeal, Province of Quebec.

(b) Sale of Pulp Assets

(i) A subsidiary company has commenced legal proceedings against the purchaser, Acadia Forest Products Limited, to recover all monies due under a dispute on certain transactions arising from the sale. The amounts in dispute were included in the 1974 financial statements as it was anticipated that all such funds would be recovered. Judgement is expected to be given in early 1976.

(ii) On December 11, 1974, Woodpulp, Inc. (Canada), a former sales agent for the pulp division of Jannock Industries Limited, commenced an action against Jannock Industries Limited and another, alleging, among other things, damages for breach of contract in the amount of $1,187,580 special damages. The Corporation is defending this action.

14. Statutory Requirements

Directors' and Senior Officers' Remuneration

	1975	1974
Number of directors	**12**	15
Remuneration of directors as directors	**$54,000**	$63,750
Number of senior officers*	**8**	7
Remuneration of senior officers as officers	**$488,625**	$422,175
Number of senior officers who are also directors	**4**	3

*Senior officers include the five highest paid employees of the Corporation as required by The Business Corporations Act (Ontario).

15. Anti-Inflation Legislation

The Corporation is subject to restraint of profit margins, prices, dividends and compensation under the terms of the Anti-Inflation Act and Regulations which became effective October 14, 1975.

Historical Summary

	1975	1974	1973	1972	1971
Income Information ($'000)					
Sales	**226,943**	254,710	170,905	136,907	128,462
Earnings from Operations	**17,125**	24,361	20,234	13,535	14,413
Net Earnings before Extraordinary	**7,569**	10,921	8,281	6,391	4,909
Net Earnings after Extraordinary	**7,342**	9,732	6,109	7,456	7,660
Depreciation	**3,250**	3,360	3,591	3,659	4,057
Earnings per Share ($)					
Before Extraordinary	**1.13**	1.80	1.23	.89	.60
After Extraordinary	**1.09**	1.56	.80	1.11	1.15
Cash Flow from Operations	**12,246**	14,862	12,571	11,943	8,926
Interest on Long Term Debt	**2,914**	3,218	2,755	2,109	2,617
Balance Sheet Information ($'000)					
Current Assets	**70,610**	97,941	45,607	55,649	45,914
Current Liabilities	**37,853**	63,587	34,685	44,671	39,745
Working Capital	**32,757**	34,354	10,922	10,978	6,169
Fixed Assets – Net*	**36,020**	40,654	58,270	58,561	60,725
Other Investments	**2,426**	4,158	6,114	7,737	6,534
Intangibles*	**12,481**	9,405	11,334	11,936	12,769
Total Assets*	**121,537**	152,158	121,325	133,883	126,707
Long-Term Debt	**22,716**	26,542	27,447	29,662	33,917
Deferred Income Taxes	**6,818**	10,865	13,201	10,937	10,822
Preferred Shares – Book Value	**25,048**	25,277	25,313	25,313	25,313
Shareholders' Equity Special and Class D*	**29,102**	25,887	20,037	19,982	13,967
Equity/Share ($)*	**5.83**	5.19	4.01	4.00	2.80

*Restated due to adjustment relating to government subsidies – see note 9 to the financial statements.

Brick Operations

Bricks leave firing kiln.

Five Year Review	Sales ($ million)	Earnings from Operations ($ million)
1975	15.0	5.0
1974	9.0	2.6
1973	6.9	2.0
1972	5.8	1.6
1971	5.0	1.7

Business Description

Brick operations were expanded in June 1975 with the purchase of the assets of Diamond Clay Products Limited of Burlington, Ontario. This purchase complements the existing facilities of Canada Brick located at Mississauga, Ontario and of St. Lawrence Brick at LaPrairie, Quebec. These combined facilities have a production capacity of approximately 200 million clay bricks annually. The integration of Diamond has produced efficiencies, particularly in marketing and administration, and offers the opportunity for continued increase in market penetration.

Late in the year the Company also brought on stream a plant to produce concrete (calcite) brick with a rated capacity of some 20 million bricks annually. The product received favourable acceptance during a short introduction period.

Operations Review

The sales outlook early in the year was not encouraging, but in the second half the market developed considerable strength, particularly in the residential field, where the strong demand and exceptionally fine fall weather allowed deliveries to continue at near record rates. Demand in Quebec was particularly strong with St. Lawrence in a sold-out position throughout the year. These factors, combined with the expansion, produced significant increases in sales and earnings from operations in 1975.

The supply difficulties of 1974 had eased considerably but material costs continued to rise. Fuel costs also rose sharply. Offsetting these cost increases were the efficiencies resulting from the automation of one aspect of manufacturing at the Mississauga plant and kiln improvements at St. Lawrence.

St. Lawrence introduced an oversize brick aimed primarily at the architectural market. This larger but thinner unit received execllent recognition when chosen for the Olympic Village project in Montreal.

The $1.1 million automation and expansion project at St. Lawrence begun in 1974 suffered from delays in delivery of equipment. By year end installation of the machinery was complete and test running had begun. A capital expenditure program of $2.0 million to automate the balance of the Mississauga plant commenced late in the year. The project will require about two years to complete.

Plans and Prospects

Demand at the beginning of 1976 was reasonably strong and the order backlog reflected this situation. Housing starts remain the single most important economic variable. Much will depend on the success of the Federal Government's attempts to stimulate construction. Adequate mortgage funds should ensure a level of starts in the single family group comparable to 1975. Starts in the multiple family segment will probably continue, as in 1975, to result in a sluggish market at least for the first half.

The market in Quebec is expected to be somewhat more buoyant than in Ontario. The coming year is expected to produce increased sales from the effect of a full year of operation at the Burlington plant, from the new concrete brick operation and from the completion of the St. Lawrence project.

Several labour contracts expire in 1976 and reasonable settlements are anticipated as current employee relations are good.

Olympic Village in Montreal constructed with bricks manufactured by St. Lawrence Brick.

Sonco Steel Tube

Bundled mechanical tubes ready for delivery.

Five Year Review	Sales ($ million)	Earnings from Operations ($ million)
1975	16.1	3.1
1974	18.2	4.4
1973	15.2	2.9
1972	10.7	1.6
1971	9.2	1.5

Business Description

Sonco is engaged in the manufacture and sale of cold formed electrically welded mechanical steel tubing and hollow structural steel sections. Production is at a modern 120,000 sq. ft. Company-owned plant located at Brampton, Ontario.

Coils of steel strip are purchased from Canada's major steel companies and are fabricated into a wide range of tubular products for sale to manufacturers and steel warehouses. Mechanical tubing made from cold rolled strip is used in many fields, from the manufacture of furniture and wheelbarrows to toys and garden tools. Hollow structural sections, made from hot rolled strip, are used in construction, by truck manufacturers and by agricultural equipment producers.

Hollow structural sections have significant weight-saving advantages over conventional shapes used in construction. We expect significant increases in sales volume and the growth rate to escalate as the relative advantages of this product become better known.

Operations Review

The acute steel shortage of 1974 prompted excess buying which resulted in an accumulation of customer inventories in 1975. This, coupled with a slowdown in overall economic activity, produced a decline in volume primarily in the conversion export sector. Costs continued to rise in all sectors and extremely competitive market conditions restricted both sales and earnings growth. Sales decreased in 1975 by approximately $2,000,000 from the 1974 volume, the first decrease experienced since the Sonco operation was acquired in 1970. We view this as a temporary situation only as manufacturers of durable goods strived to reduce inventories during 1975 after the heavy surge of purchasing in 1974. Accordingly, sales should return to normal levels in the future.

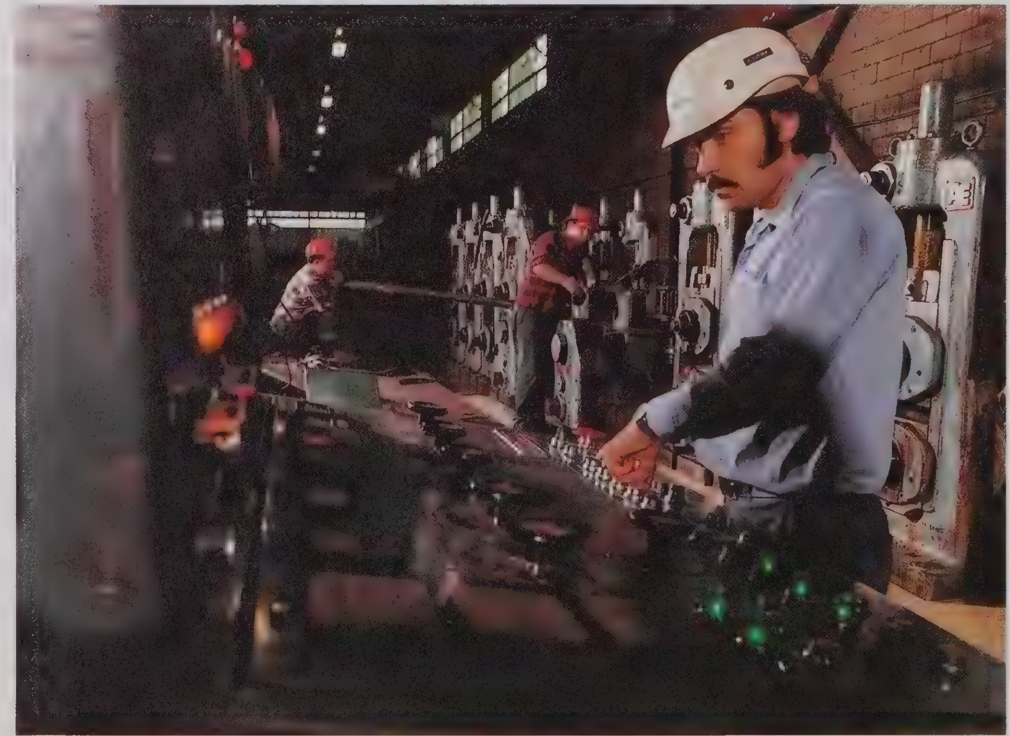
The installation of a new hollow structural mill was completed in the latter half of 1975. This unit provides 30% overall additional capacity and, more importantly, will contribute to more efficient production of hollow structural sections in the future by allowing the Company's smaller high-speed mills to concentrate on the production of mechanical tubing.

Plans and Prospects

With steel supply more than abundant, the outlook in the near term is not for significant growth. Sonco is well positioned, however, for significant long-term gains as demand increases, particularly in hollow structural sections for major projects related to the field of energy. Sufficient capacity presently exists to allow significant expansion without extensive capital expenditures.

A three-year collective agreement was signed at the end of 1974 and labour relations remain good. Existing plant machinery is being modified to permit greater efficiency in production in the future.

During 1976 a strengthening and expansion of Sonco's marketing division will be a top priority. A greater penetration of the Canadian and United States markets are considered areas of expansion for the Company, fully anticipating new growth in hollow structural and mechanical tubing. Research and development in both product and services will be instituted with emphasis on the introduction of new or additional product lines.



Manufacture of steel tubes.

Lyman Tube

Computerized inventory control.

Five Year Review	Sales ($ million)	Earnings from Operations ($ million)
1975	17.6	1.3
1974	17.2	1.5
1973	12.1	.6
1972	9.2	.4
1971	7.3	.2

Business Description

Lyman is engaged in the warehousing and distribution of carbon steel tubular products. The Company's inventory consists of approximately 1,700 sizes of seamless and welded tubing in rounds, squares and rectangulars. Size range is from 1/8 inch outside diameter up to and including 24 inches. Our major suppliers are located in Canada and the United States, with some products being purchased offshore.

Lyman is headquartered at Oakville, Ontario, its major stocking depot, with other service centres located at Toronto, Montreal, Winnipeg, Edmonton and Vancouver. The Company sells to a wide variety of original equipment and after market customers in such industries as farm machinery and equipment, hydraulic cylinders, transportation equipment, steel fabricators and machine shops.

Operations Review

Shipments from the steel service centre industry and the basic producers, both in Canada and the United States, were substantially below the records achieved in 1974. The principal problems originated from the acute steel shortages of 1974 and the strong accumulation of inventories by all steel consumers that were substantially in excess of their requirements. This situation was further aggravated by the sharp decline in economic activity throughout Canada and the United States.

Customer demand declined sharply during the first half of 1975 and inventory liquidation, by both suppliers and users of steel products, became a major preoccupation which resulted in extremely competitive conditions in the marketplace. At this writing, these conditions are not yet fully resolved, but much has been accomplished to restore proper inventory balance.

Although Lyman sales failed to achieve anticipated levels for fiscal 1975, earnings from operations were similar to those attained in the previous year. Tonnage shipped from warehouse stocks was actually in excess of 1974 volumes, but increased operating costs and a substantial decline in direct shipments from the mills to larger users neutralized the improvement in warehouse sales.

Plans and Prospects

Construction of a new service centre in Montreal at a cost of $1.5 million is currently under way. This new facility will feature the most modern mechanized materials handling equipment and will significantly improve our service capability in the Quebec and Maritimes Regions. It will be occupied in mid-1976.

Storage capability at Edmonton has been expanded and improvements in both racking and materials handling equipment are being undertaken. These improvements will present opportunities for further market penetration, and will allow Lyman to share in the substantial growth presently being experienced in Alberta.

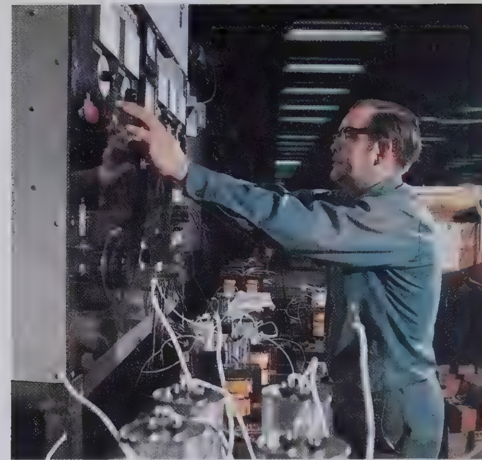
Lyman recently concluded distribution arrangements with one of Canada's leading manufacturers of precision ground shafting. This is in accord with Lyman's objectives to broaden selectively the product portfolio with additional specialty steel products.

Although it is acknowledged that some hesitation and uncertainty exists with respect to short-term expectations of steel consumption, Lyman believes these conditions will improve and that demand will intensify during the last half of 1976. Expectations for the full year indicate an improvement in sales and earnings.

Warehouse storage of steel tube.

Allanson Manufacturing

Quality control – testing of condensers.



Five Year Review	Sales ($ million)	Earnings from Operations ($ million)
1975	6.6	.8
1974	6.7	.9
1973	6.4	1.0
1972	5.4	.8
1971	4.4	.6

Business Description

Allanson Manufacturing Company produces at its two Toronto facilities a range of electrical equipment for the heating, lighting and consumer products industries.

The principal products are a full line of ignition transformers and fuel pumps used on both residential and industrial oil furnaces. These transformers are exported around the world. Allanson is also a prime supplier of fluorescent ballasts and neon transformers for Canada's illuminated sign industry. Among these are a complete line of high intensity discharge ballasts for both indoor and outdoor lighting, from highway applications to shopping centres. Allanson's other product lines include power converters which are used extensively in the recreational vehicle market, portable battery chargers and a highly sophisticated line of xenon rectifiers for use in motion picture theatres and the audio visual industry.

Operations Review

Many of the industries served by Allanson were adversely affected by recessionary influences in 1975 and, as a consequence, their general level of business activity was lower than during the previous year. Allanson's heating products division was still suffering from the after-effects of the oil shortage fears that arose at the end of 1973 and continued through 1974. This market managed to show some signs of recovery toward the end of 1975. A similar trend for the year was experienced by Allanson's ballast division with respect to the illuminated sign industry and the street and area lighting fields.

Sales of Allanson's new product lines, power converters for recreational vehicles and special power supplies, showed good increases during the year.

While the value of billings in 1975 was similar to those of 1974, earnings experienced a slight decline in 1975. This was caused by a lower level of productive activity and a swing in product mix that favoured less profitable lines. With the exception of copper wire, the cost of most raw materials used by Allanson rose by at least 15% over the year. Wage increases granted to Allanson's hourly-rated employees contributed to the maintenance of good employee relations. This was a year in which emphasis was placed on cost reduction and the development for the future of new models among existing product lines.

Plans and Prospects

In contrast to our outlook one year ago, we view 1976 with a good deal more optimism. That feeling is supported by a healthy level of booked orders on hand at year end. While the national economy shows many signs of uncertainty, our customers seem confident that they are moving out of the difficulties that plagued them last year, and it would seem that we will recover the ground lost during that period. It is evident, however, that should there be a significant cut-back in spending programs due to the Government's Anti-Inflation pressures, appropriate adjustments will have to be considered.

Allanson has strengthened significantly its participation in the U.S. heating market and anticipates larger 1976 volumes as a result. New product lines are moving well and should make a good contribution to both sales and earnings in the coming year. New products in development are progressing favourably and should prove good potential for growth.

Assembly of coils for ballasts.

Sugar Operations

Packaging of refined sugar.

Five Year Review	Sales ($ million)	Earnings from Operations ($ million)
1975	149.9	9.1
1974	152.4	4.1
1973	79.7	7.0
1972	63.8	8.6
1971	56.4	10.9

Business Description

Atlantic Sugar manufactures a variety of refined sugar products from raw cane sugar at its Saint John, New Brunswick refinery. Raw sugar, acquired principally from Australia, Mauritius, Cuba and South Africa, is received in bulk at a year-round port facility. Processing at a rate of approximately 1,000 tons daily, the refinery supplies approximately 22% of the Canadian domestic market with granulated, brown, icing and liquid sugars in units from one-sixth ounce envelopes to 180,000 pound bulk rail cars. Distribution, which is principally throughout Eastern Canada, is performed from the St. John facility, from Company centres in Montreal and Toronto and commercial warehouses elsewhere. Finished product is transported by both rail and truck.

Because of the extreme volatility of the world raw sugar market in recent years, the Company's policy has been to own no unsold inventory by maintaining a fully-hedged volume position on the futures market, thereby minimizing potential inventory losses. This involves selling a terminal position for any inventory or raw sugar purchase commitment not otherwise sold under contract to a customer.

Operations Review

The decline in raw sugar prices, which began in late 1974, continued throughout 1975 with the London Daily Price (the basis for the Company's cost of raw sugar) falling from £470 Sterling per Long Ton on January 2, 1975 to £160 Sterling on December 31, 1975. Canadian consumption, which had declined by some 15% early in the year, has recovered to more normal levels and now is expected to approximate 95 pounds per capita in 1976.

Total volume in 1975 was marginally below that of 1974, the result of reduced participation in the export market. Net earnings improved from the previous year's low of one-fifth cent per pound to approximately three-quarters cent per pound. This improvement was generated in large measure by the reduced financial and hedging costs which resulted from lower sugar price levels, and by exchange profits due to the decline in the value of Sterling. During the latter part of 1975, the labour contract covering refinery personnel was settled and an application is presently before the Anti-Inflation Board for approval.

On December 19, 1975, Atlantic and two other Eastern Canadian cane sugar refiners were acquitted of charges laid under the Combines Investigation Act. This case, which had been before the courts for over a year, is now the subject of appeal proceedings and will continue to be defended with absolute determination.

Plans and Prospects

The directives of the Anti-Inflation Board have added to the complexities of operating our business. Nonetheless, the outlook for 1976 is encouraging. Variations in raw sugar costs can be passed through to refined sugar prices, a vital procedure for any manufacturer whose raw material cost is subject to international market fluctuations. With global raw sugar production now slightly in excess of consumption, we foresee maintenance of the current 20 to 22 cents per pound range for refined sugar during 1976. This will contribute to increased consumption and thus volume growth.

During the early part of 1976, the Canadian sugar industry will undergo the final phase of metric conversion and will be the first major food industry to do so. The familiar two and five pound packages will be replaced by one and two kilogram units while the metric ton will replace the one hundred pound basis as a pricing benchmark.

Sugar refinery, St. John, New Brunswick.

Fishing Operations

Tuna

Five Year Review	Sales ($ million)	Earnings from Operations ($ million)
1975	13.2	.9
1974	11.8	.8
1973	10.4	.7
1972	6.4	(.2)
1971	5.8	(.8)

The sale of the assets of the Tuna business of the Company, which operated as Ocean Maid Foods, to Zapata Corporation of Houston, Texas was announced on September 21, 1975. The sale was effective December 31, 1975 following approval of the Foreign Investment Review Board. The sale was prompted primarily by the low return on the investment from this business and a desire to strengthen Jannock's liquidity and contribute to its earnings prospects.

One of Jannock's predecessor companies entered the tuna business in 1966 and the operation experienced losses in its early years. Recently, the tuna business generated minimal earnings. We believe that Zapata Corporation, which already operates a large fleet of tuna seiners, is in a good position to develop further the Canadian enterprise.

Groundfish

Five Year Review	Sales ($ million)	Earnings from Operations ($ million)
1975	8.5	(1.1)
1974	7.9	(.6)
1973	9.9	1.9
1972	7.6	.7
1971	8.7	.7

The Groundfish business is a significant part of the Newfoundland fishing and processing industry, concentrating primarily on flounder, cod and perch. The plant is supplied by a fleet of stern trawlers, both Company-owned and leased, which fish off the Newfoundland coast. The majority of its output is marketed in the United States.

The operation experienced another difficult year. Although sales volume showed a modest increase over 1974 levels, further losses were suffered in 1975. These losses were due mainly to a strike which was not settled until the end of the first quarter of 1975, and to generally adverse conditions throughout the industry.

As previously announced, Jannock has for some time been actively involved in discussions regarding the sale of the Groundfish business. Several alternatives are being pursued and negotiations are in progress at the time of writing this report. It is hoped that an announcement of sale will be made in the near future.